

VZCZCXRO9232  
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN  
DE RUEHSB #0687/01 2141247  
ZNR UUUUU ZZH  
R 021247Z AUG 07  
FM AMEMBASSY HARARE  
TO RUEHC/SECSTATE WASHDC 1747  
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHUJA/AMEMBASSY ABUJA 1668  
RUEHAR/AMEMBASSY ACCRA 1538  
RUEHDS/AMEMBASSY ADDIS ABABA 1672  
RUEHRL/AMEMBASSY BERLIN 0318  
RUEHBY/AMEMBASSY CANBERRA 0938  
RUEHDK/AMEMBASSY DAKAR 1301  
RUEHKM/AMEMBASSY KAMPALA 1729  
RUEHNR/AMEMBASSY NAIROBI 4146  
RUEHFR/AMEMBASSY PARIS 1498  
RUEHRO/AMEMBASSY ROME 2162  
RUEHGV/USMISSION GENEVA 0793  
RHMFISS/JOINT STAFF WASHDC  
RHMFISS/HQ USEUCOM VAIHINGEN GE  
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RHEHAAA/NSC WASHDC  
RUEHBS/USEU BRUSSELS  
RUCNDT/USMISSION USUN NEW YORK 1889

UNCLAS SECTION 01 OF 02 HARARE 000687

SIPDIS

SIPDIS

AF/S FOR S.HILL  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
STATE PASS TO USAID FOR E.LOKEN AND L.DOBBS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [ECON](#) [ASEC](#) [EPET](#) [ZI](#)

SUBJECT: GOZ BACKSLIDES ON FUEL IMPORTATION RESTRICTIONS

-----  
Summary  
-----

¶1. The Government of Zimbabwe, which two weeks ago announced an end to the use of fuel coupons for the purchase of imported fuel, and which last week in a diplomatic note stated that all fuel importation and distribution would be through the National Oil Company of Zimbabwe (NOCZIM), has reversed course and will allow private companies to continue importing and supplying fuel, according to Chevron representatives. Those eligible to purchase fuel from private companies include diplomatic missions, NGOs, companies buying in bulk, and holders of Foreign Currency Accounts (FCAs). Private individuals, many of whom were using coupons purchased in the diaspora, will have to purchase from NOCZIM. NOCZIM's inability to meet demand will inevitably result in hardship and a skyrocketing black market. End Summary.

-----  
Fuel Restrictions Part of Price Control Policy  
-----

¶2. In June, the GOZ first announced a two-week phase out of the use of Direct Fuel Import, coupons paid for offshore and used to purchase fuel within Zimbabwe. The government subsequently, through public notice and diplomatic notes, stated that diplomatic missions, NGOs, and donor-funded programs could continue to use their coupons until exhausted. All fuel importation and distribution in the future would be done by NOCZIM. The result of these pronouncements was long fuel queues as individuals attempted to use their coupons or buy the limited quantities available of NOCZIM price-controlled fuel, and concern in the diplomatic, NGO,

and donor communities.

13. According to Chevron (owner of Caltex which supplies the U.S. Embassy) representatives, the announced government fuel policies were intended, in conjunction with price controls, to reduce inflation. The GOZ believed that 1) fuel purchased from importers was finding its way to the black market and 2) individuals, many in the diaspora, were using forex to trade in fuel by buying coupons, purchasing fuel, selling it on the black market, and using proceeds to begin the cycle anew. Chevron told us that as of June, there were 52 registered fuel companies in Zimbabwe; many were selling most of their fuel to traders rather than end users.

-----  
GOZ Backslide  
-----

14. Chevron told us that the GOZ's intention to use NOCZIM exclusively understandably alarmed business interests. A number of these approached ministries responsible for them, e.g. the Ministry of Mines, and threatened to shut down. Ministries then relayed these concerns to the Price Control Commission, which now appears to have ultimate authority on pricing issues. Concerns were also expressed through intermediaries to President Mugabe.

15. The Price Control Commission retreated. On July 27, it informed international oil companies Chevron, BP, and Total, as well as local companies Comoil and Redan, that they would be allowed to import and distribute bulk quantities of at least 40,000 liters to concerns possessing their own storage

HARARE 00000687 002 OF 002

facilities and pumps. On July 29, the GOZ announced that holders of FCAs could use coupons to purchase from direct fuel importers. Direct fuel importers will pay US 2 cents per liter to the GOZ. The GOZ believes, according to Chevron, that these measures, plus the deregistration of all but the aforementioned companies, will permit authorities to monitor purchases and prevent trading or diversion of fuel to the black market.

-----  
Average Zimbabwean Still Hit Hard  
-----

16. Continuing to be hit hard will be average driving Zimbabweans with no FCAs. NOCZIM allocates fuel first to ministries, government employees, and parastatals. The ordinary consumer is at the end of the chain, and there is insufficient supply to meet demand. Until now, many individuals received coupons paid for in the diaspora by relatives. This will now be unlawful. Chevron representatives told us the GOZ had expressed concern to them about money from the diaspora being used to trade, thereby creating inflation possibly aimed at regime change.

-----  
Comment  
-----

17. The offshore purchase of fuel coupons has been an important source of fuel for many ordinary Zimbabweans. Without broad access to coupons, we can expect increasingly long queues to buy heavily subsidized--but scarce--fuel from NOCZIM, and despite GOZ efforts to eliminate it, a thriving black market controlled by Zimbabweans who have creatively "made a plan." It would not be surprising to see the GOZ relax the restriction on offshore coupon sales in the near future, once the GOZ calculates the harm its new policy does to its electoral prospects when traditional ZANU-PF supporters in rural areas can no longer find transportation to visit their relatives in urban areas or get there vegetables to market.

DHANANI